



**MAGNITOGORSK
IRON & STEEL
WORKS**

IFRS financial statements
for Q2 and H1 2014

KEY HIGHLIGHTS FOR MMK GROUP



Q2 2014 Financial Results

Revenue amounted to USD 2,211 million	● up 17.7% q-o-q
Cost of sales amounted to USD 1,764 million	● up 15.4% q-o-q
EBITDA was USD 399 million	● up 35.7% q-o-q
EBITDA margin was 18%	● up 2.4 p.p. q-o-q
Net debt amounted to USD 2,702 million	● down USD 324 million compared to the end of 2013
Slab cash-cost amounted to USD 322 per tonne	● down 4.5%, or USD 15, q-o-q
Free cash flow amounted to USD 224 million	● up nearly sevenfold compared to Q1 2014
HVA products share in Q2 2014 amounted to 44.4%	● up 0.5 p.p. q-o-q

H1 2014 Financial Results

Revenue amounted to USD 4,090 million	● down 8.0% y-o-y
Cost of sales amounted to USD 3,293 million	● down 13.4% y-o-y
EBITDA was USD 693 million	● up 2.2% y-o-y
EBITDA margin was 17%	● up 1.6 p.p. y-o-y
Free cash flow amounted to USD 257 million	● up 27.9% y-o-y
HVA products share in H1 2014 was 44.2%	● down 4 p.p. y-o-y

HIGH LEVEL OF CAPACITY UTILISATION



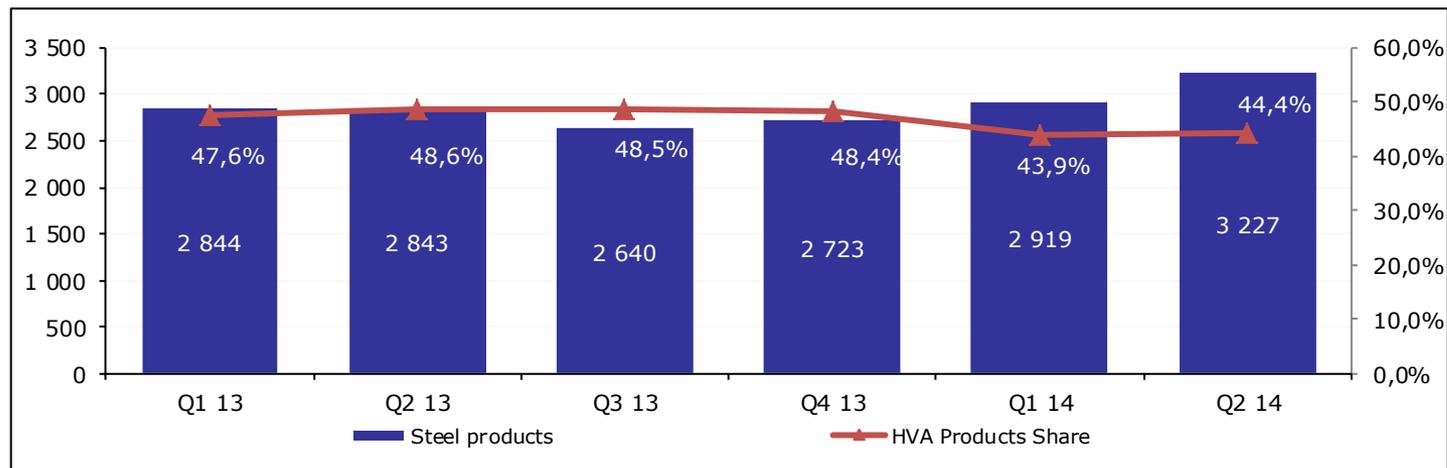
- MMK Group finished steel products output in Q2 2014 was 3.2 mln tonnes, up 10.6% q-o-q. This growth was driven by seasonal recovery in demand, as well as import substitution on the Russian market.
- MMK Group High-Value-Added (HVA) steel products output in Q2 2014 was over 1,433 ths tonnes, up 11.9% q-o-q. This growth was due to growth in domestic sales and sales by MMK Metalurji.
- Belon coal concentrate output in Q2 2014 was 672 ths tonnes, down 5.6% q-o-q due to planned maintenance works and higher ash content of coal.

Key production indicators, ths tonnes

	Q2 '14	Q1 '14	%	H1 '14	H1 '13	%
Cast iron	2 571	2 604	-1%	5 175	4 892	6%
Crude steel incl.	3 390	3 188	6,3%	6 578	6 154	7%
MMK	3 390	3 188	6,3%	6 578	6 154	6,9%
MMK Metalurji	0	0	-	0	0	-
Finished products	3 227	2 919	11%	6 146	5 688	8%
MMK	3 056	2 822	8,3%	5 878	5 501	6,9%
MMK-Metiz*	145	119	22%	264	281	-6%
MMK Metalurji*	185	149	24%	334	346	-3%
HVA products	1 433	1 281	12%	2 715	2 739	-1%
Belon coking coal concentrate	672	712	-6%	1 384	1 498	-8%

* - incl. made from MMK's steel

Growth in MMK Group steel products and HVA products share, thousand tonnes

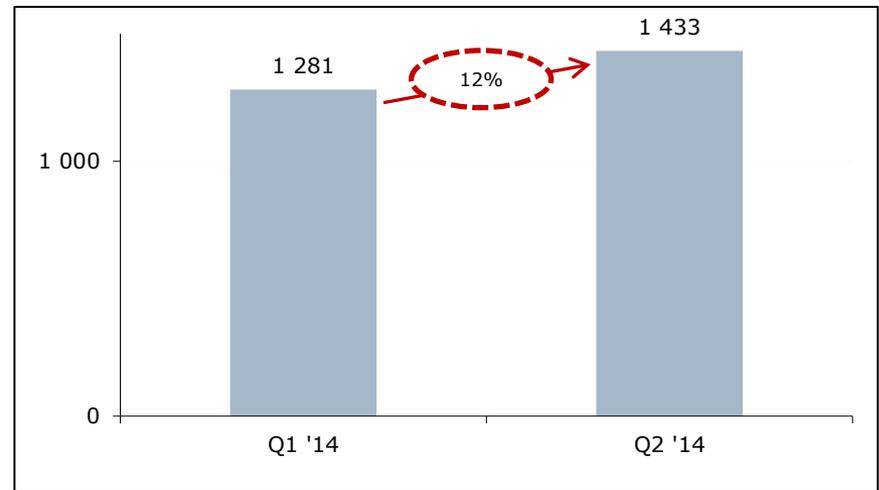


FOCUS ON THE DOMESTIC MARKET WITH A HIGHER AVERAGE PRICE

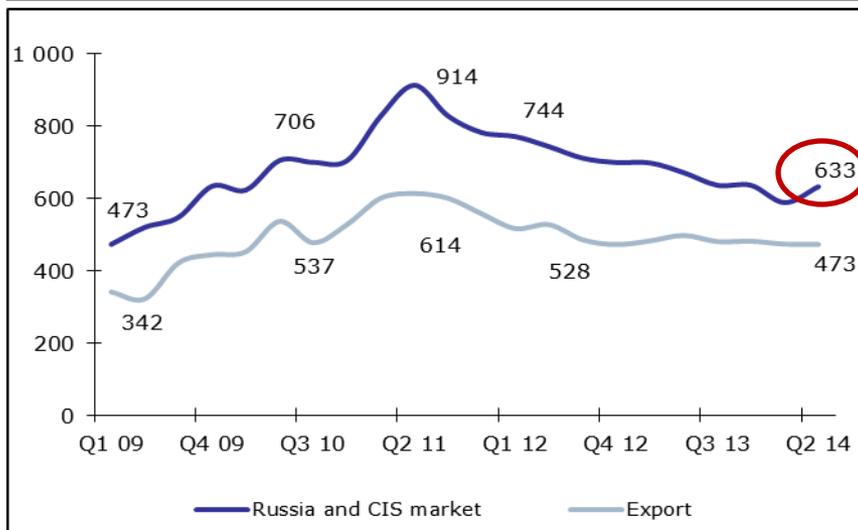


- MMK continues to view the domestic market as a priority: in Q2 2014 a record high volume of steel products since USSR time was shipped to the domestic market.
- Due to the high share of HVA products in MMK's domestic sales, the average price per tonne of steel products on the domestic market historically was higher than the average export price.
- In Q2 2014 average realised domestic price per tonne of steel products increased by 7.4% q-o-q and amounted to USD 633 due to partial recovery in domestic market price premium. For the same period, the average realised export price per tonne of steel products amounted to USD 473, down 0.2% q-o-q.

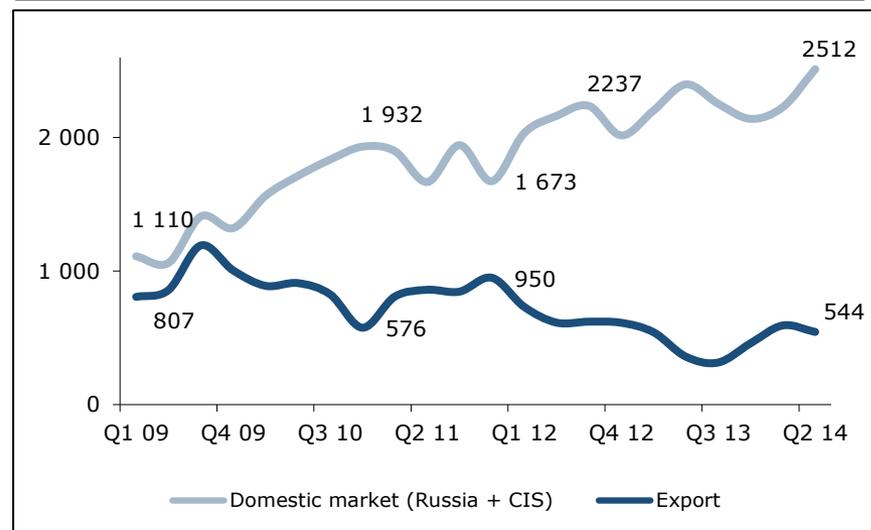
Growth in MMK Group's HVA products, ths tonnes



MMK's average price, USD/tonne



MMK's sales trends by market, ths tonnes

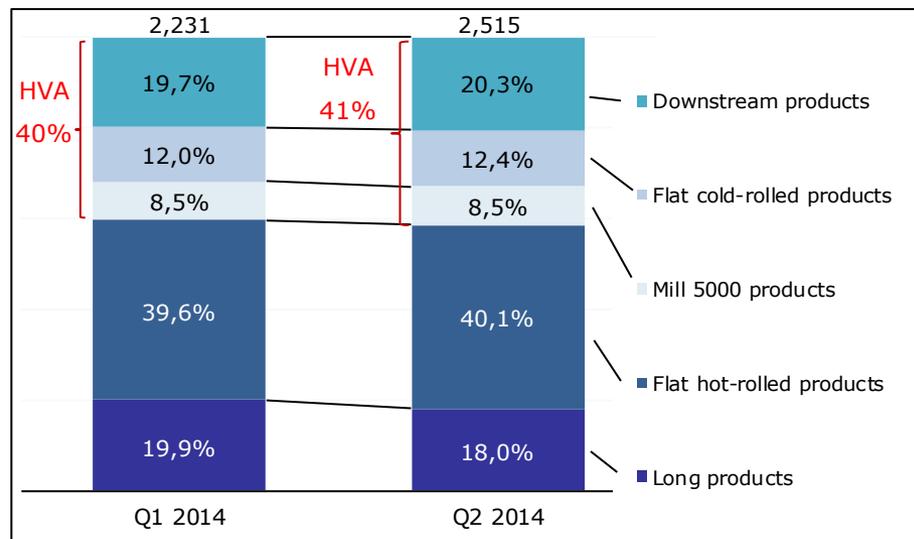


MMK GROUP SALES STRUCTURE ON THE RUSSIAN AND CIS MARKET

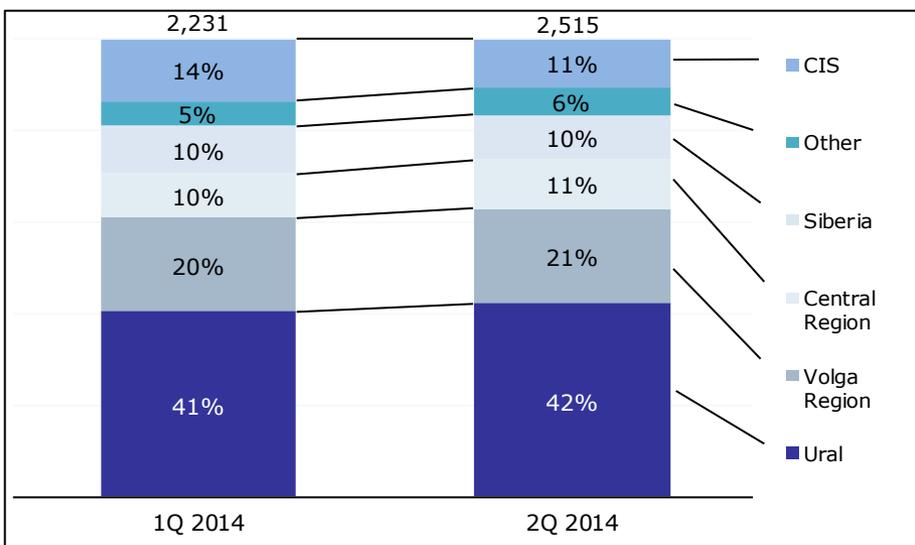


- Total sales volume on the Russian and CIS market in Q2 2014 was 2,515 ths tonnes, while sales to the most metal-intensive locations of the Urals and the Volga regions grew and amounted to 63% of the total domestic sales.
- In Q2 2014, shipments to pipe manufacturers increased, while share of shipments to railway cars manufacturers and consumers from the CIS countries decreased.
- In Q2 2014, share of long products decreased in the domestic sales structure, while share of downstream products and cold-rolled products increased.

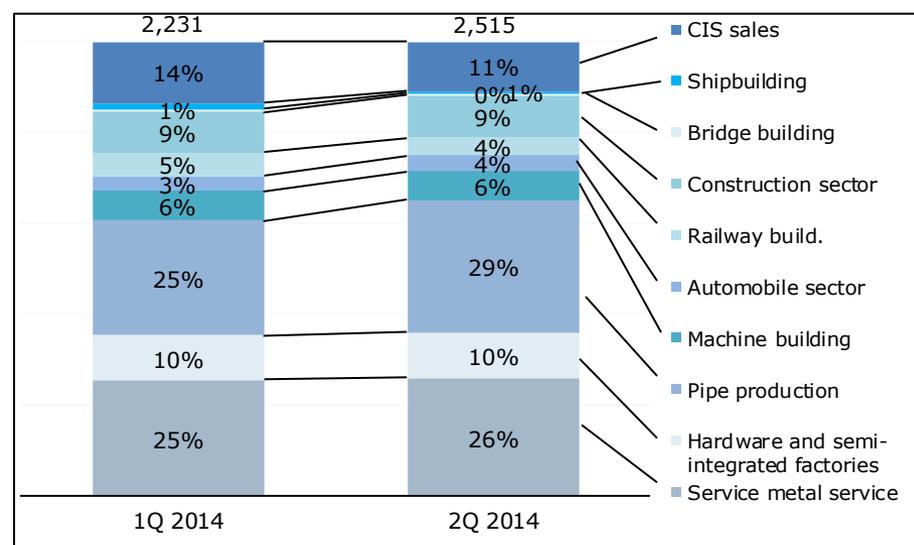
Russia and CIS market shipment structure, ths tonnes



Russia and CIS market sales by region, ths tonnes



Russia and CIS market sales by sector, ths tonnes

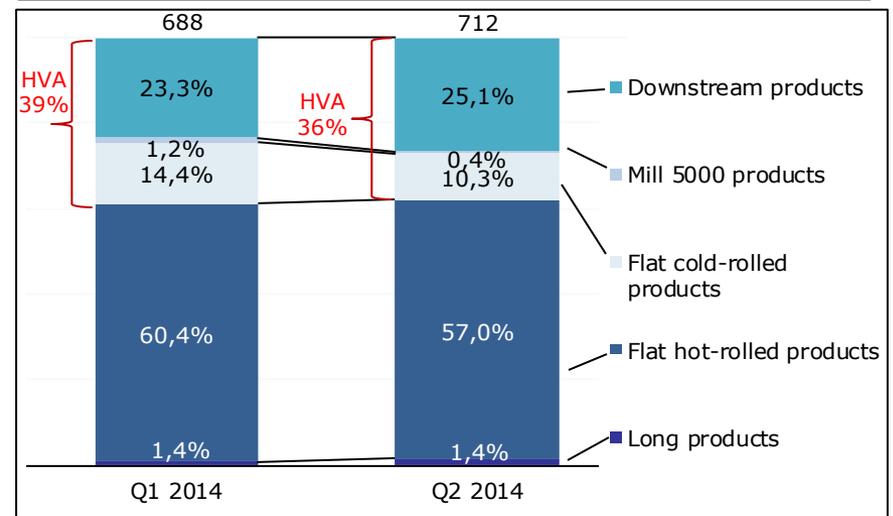


MMK GROUP POSITIONS ON THE KEY INTERNATIONAL MARKETS

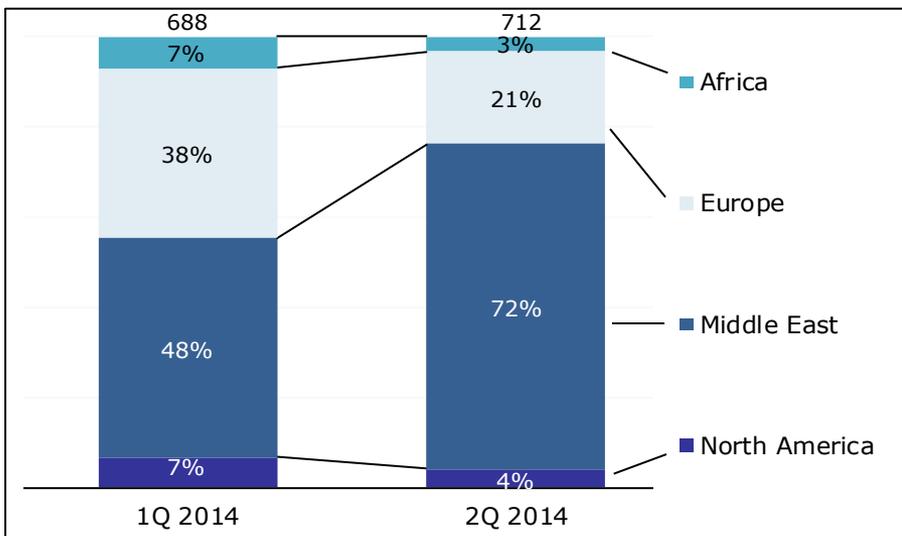


- Sales on international markets in Q2 2014 remained at stable level at 712 ths tonnes. Hot-rolled products continue to dominate the export structure, with a 57.0% share.
- HVA products share in sales on international markets increased to 42% primarily due to sales by MMK Metalurji.
- There was a shift in sales by region, with a decrease in sales to Europe and an increase in sales to the Middle East.

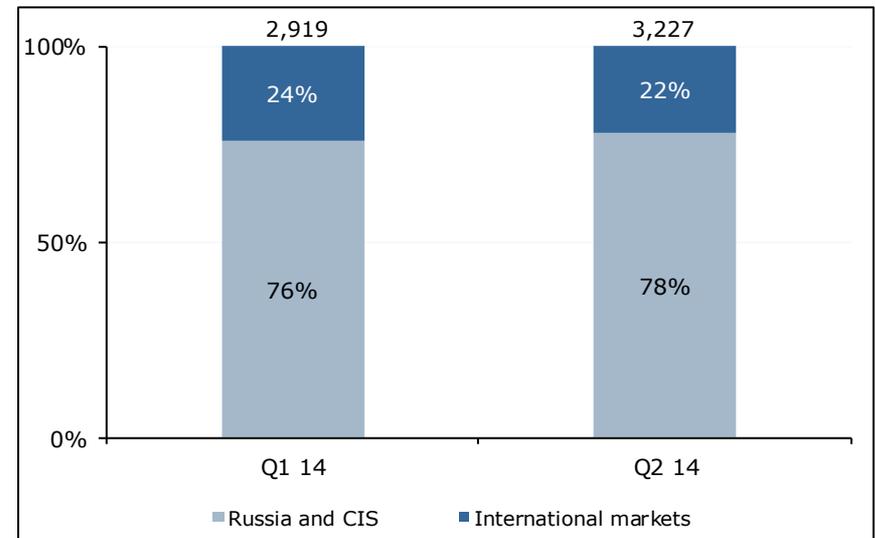
External market shipment structure, ths tonnes



International sales structure by region, ths tonnes



Domestic/international sales structure, ths tonnes

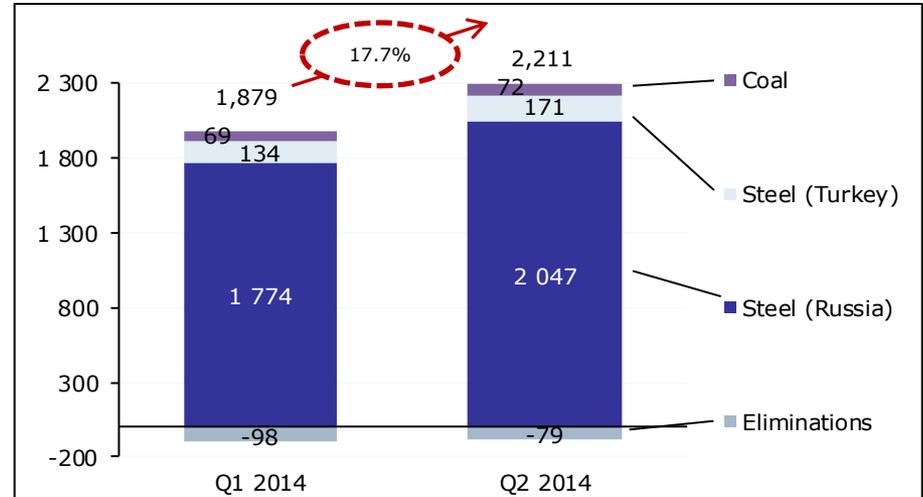


KEY FINANCIAL HIGHLIGHTS

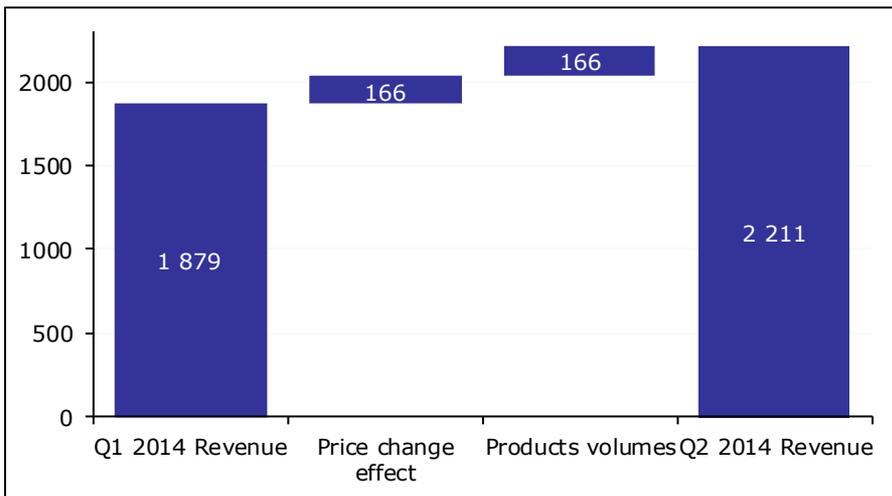


- MMK Group revenue for Q2 2014 increased by 17.7% q-o-q to USD 2,211 million, due to growth of domestic prices (+8.8%) and growth in sales volume (8.9%).
- However, revenue for H1 2014 decreased by 8% y-o-y due to generally lower steel prices in 2014, which are pressured by continued global excess steel capacity and decrease in iron ore prices.

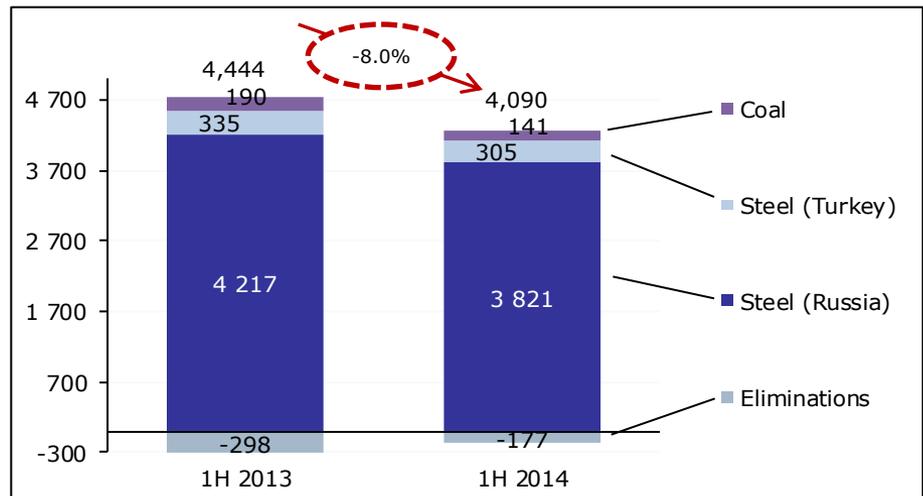
Q1 2014 revenue q-o-q, million USD



Analysis of MMK Group's revenue, million USD



H1 2014 revenue y-o-y, million USD

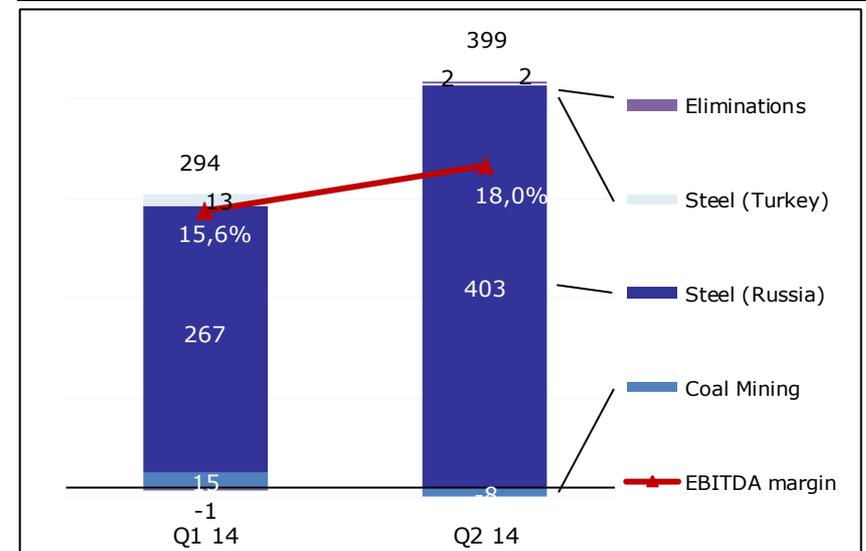


KEY FINANCIAL HIGHLIGHTS

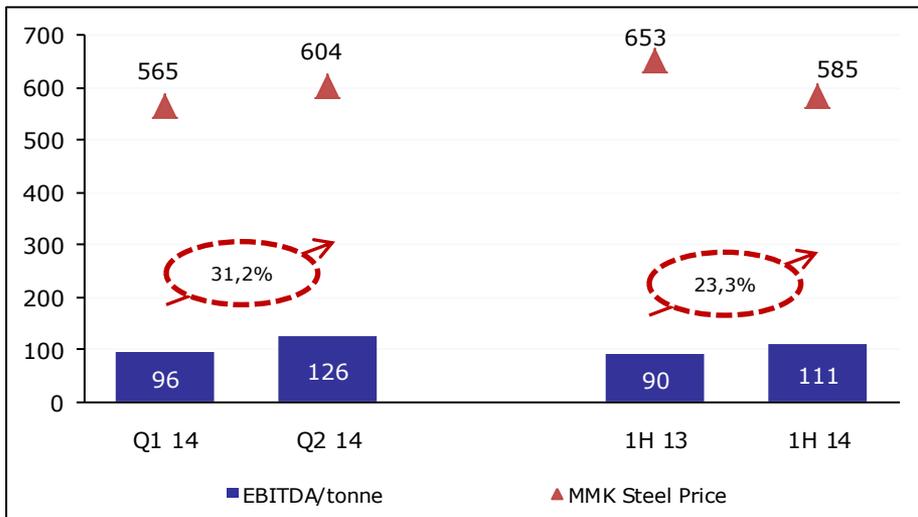


- MMK Group's EBITDA for Q2 2014 amounted to USD 399 million, with a margin of 18%, which increased by 2.4 p.p. q-o-q.
- A significant percentage of MMK Group's EBITDA is generated in the Russian steel segment. The segment's EBITDA growth in Q2 2014 was 50.9% q-o-q.

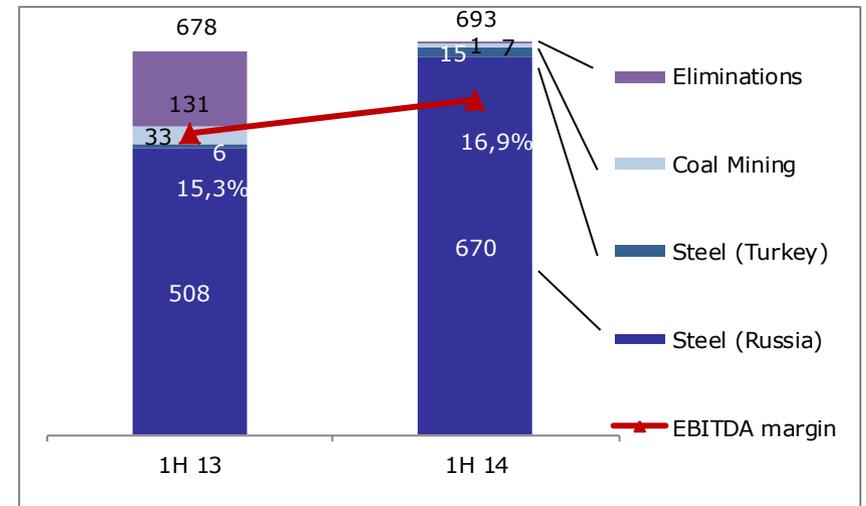
MMK Group Q2 2014 EBITDA q-o-q, million USD



EBITDA/t vs. metal products sale price, USD/t



MMK Group H1 2014 EBITDA y-o-y, million USD

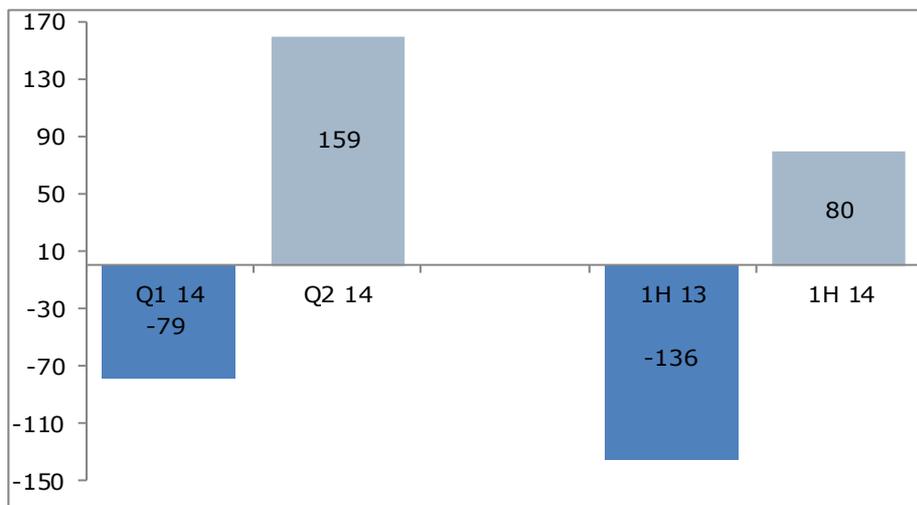


ANALYSIS OF KEY FINANCIAL HIGHLIGHTS

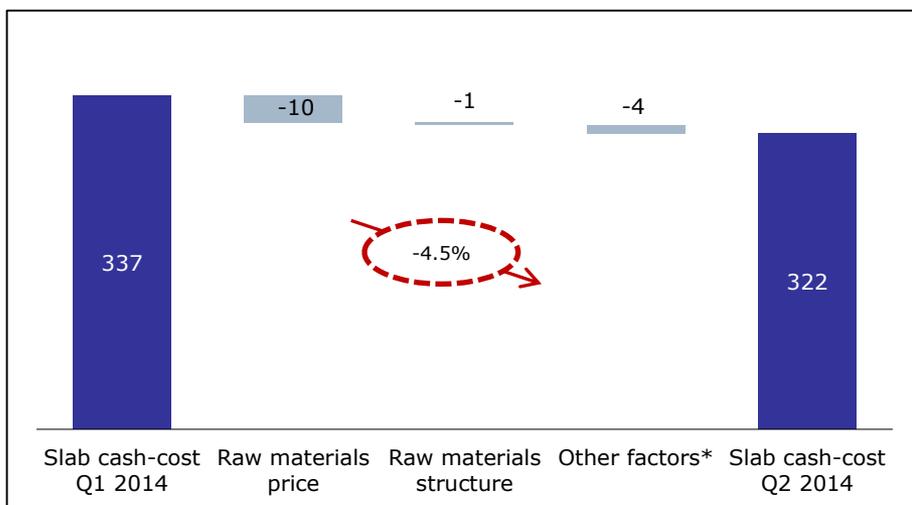


- Net profit for Q2 2014 amounted to USD 159 million, which allowed the Group to post a positive net profit for H1 2014 of USD 80 million.
- Cash cost of slab in Q2 2014 decreased by 4.5% q-o-q to USD 322 per tonne due to decreasing raw materials prices and implementation of initiatives to reduce costs.
- Effective working capital management and moderate capex allow MMK Group to generate significant free cash flow.

Net profit/loss y-o-y, million USD

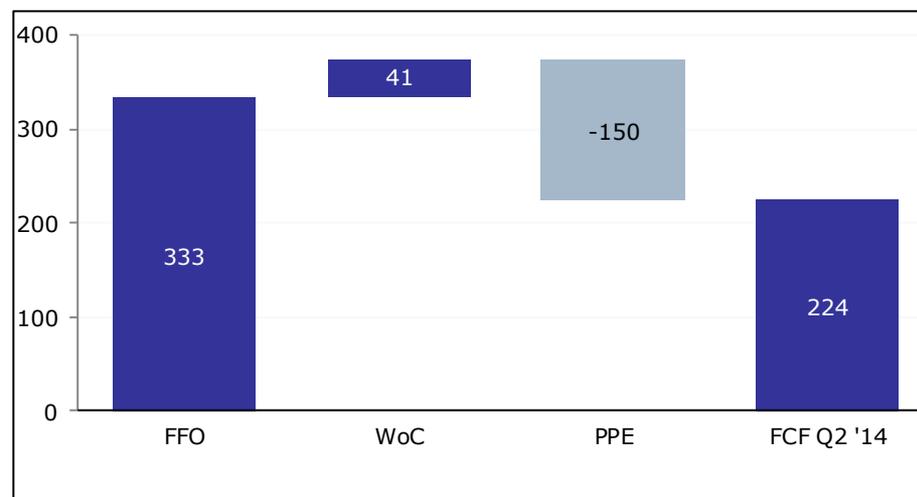


Slab cash-cost trends, USD/tonne



* - fuel and power, services, payroll, etc.

Q2 2014 free cash flow, million USD

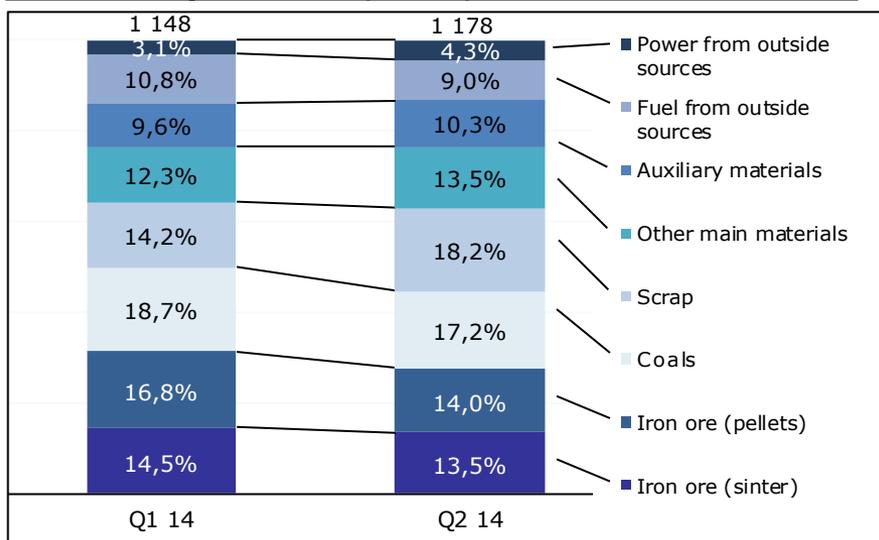


STRUCTURE OF OPERATING COSTS AND CASH COSTS



- In Q2 2014 the share of energy resources and metal scrap increased in the structure of OAO MMK's material costs. At the same time, the share of iron ore and coal decreased.
- Notwithstanding growth in shipments in Q2 2014 by 10.6% q-o-q, the Company managed to keep selling expenses flat.

Material expenditures, MMK, million USD



Operating costs of MMK Group, million USD

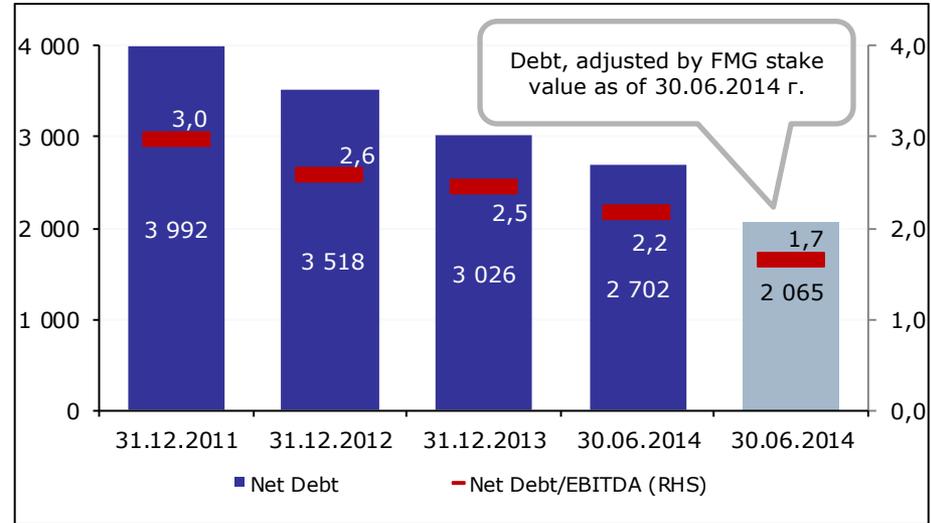
	Q1 14	Q4 14	+/-	%
Cost of sales	1 764	1 529	235	15%
Selling and distribution expenses	146	144	2	1%
General and administrative expenses	109	110	-1	-1%
Other operating (expenses)/income, net	3	18	-15	-83%
Total operating costs	2 022	1 801	221	12%

MMK GROUP DEBT PROFILE

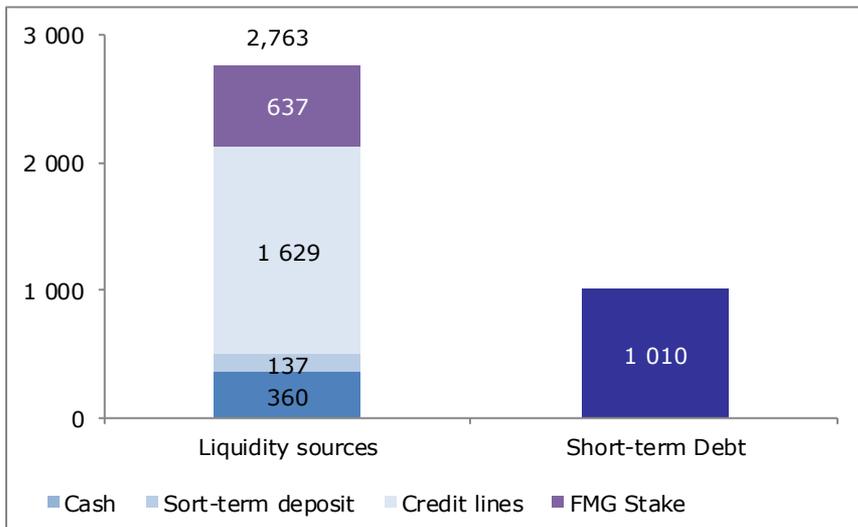


- MMK Group net debt at the end of Q2 2014 was USD 324 million lower compared to the end of 2013.
- The volume of liquid funds in MMK Group's balance sheet exceeds the amount of short-term debt.
- Debt maturity schedule does not envisage any significant one-off payments.

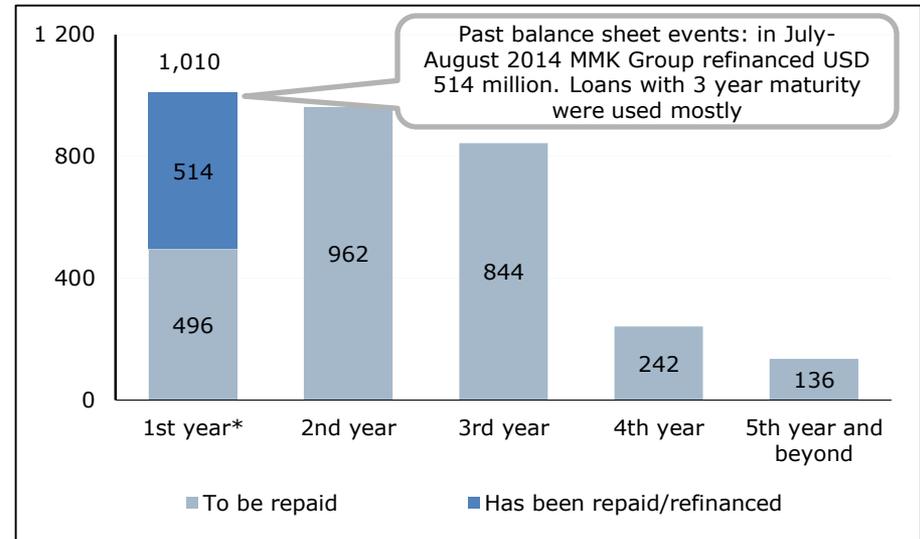
Reduced debt burden, million USD



Liquidity profile, million USD



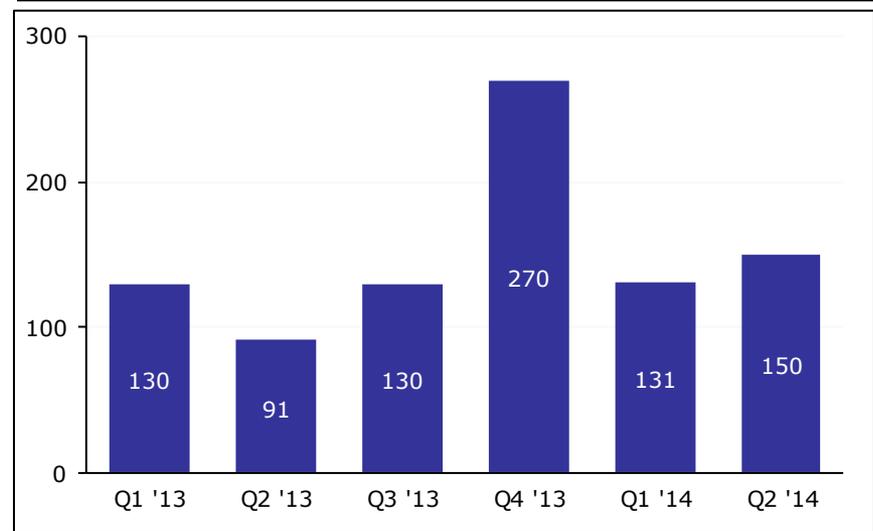
Debt repayment, million USD



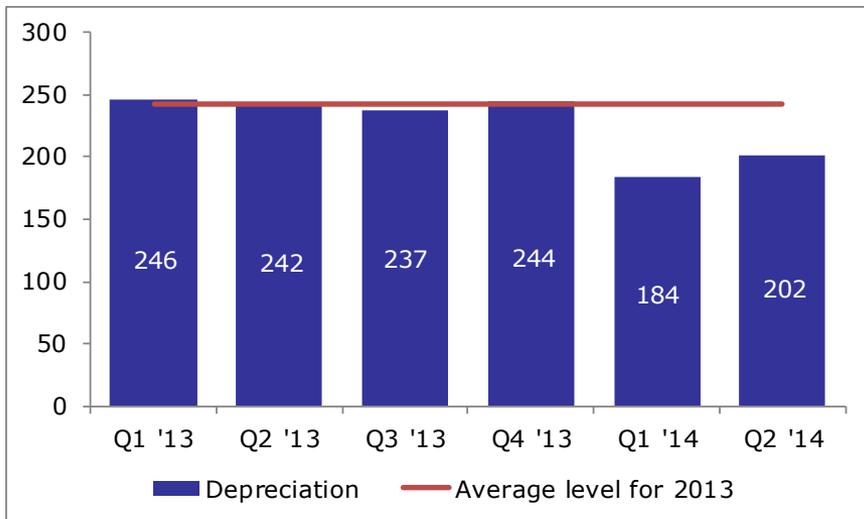


- In Q2 2014, MMK Group's capex amounted to USD 150 million, which is in line with the annual level of USD 550-600 million USD, which was announced previously.
- An increase in depreciation in Q2 2014 by USD 18 million q-o-q was due to commissioning of new fixed assets during H1 2014, as well as revision of depreciation terms of a number of fixed assets towards its decrease.

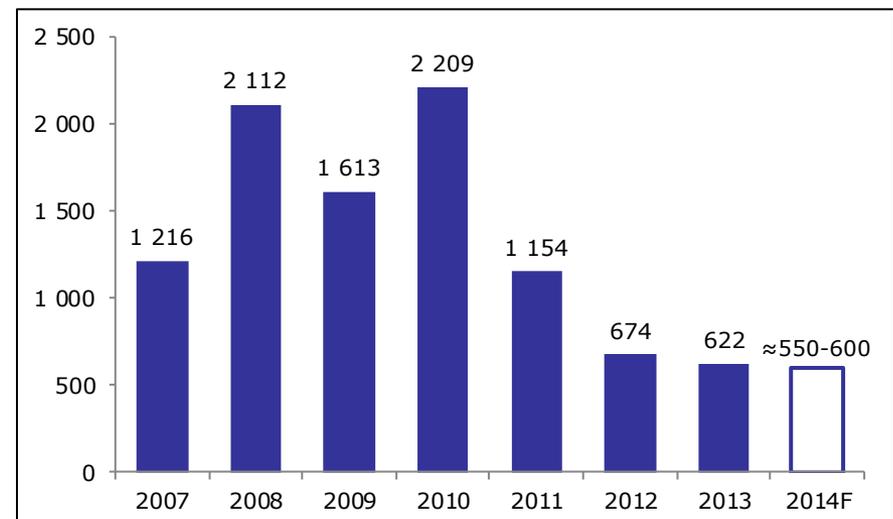
MMK Group CAPEX, million USD



Depreciation reduction, million USD



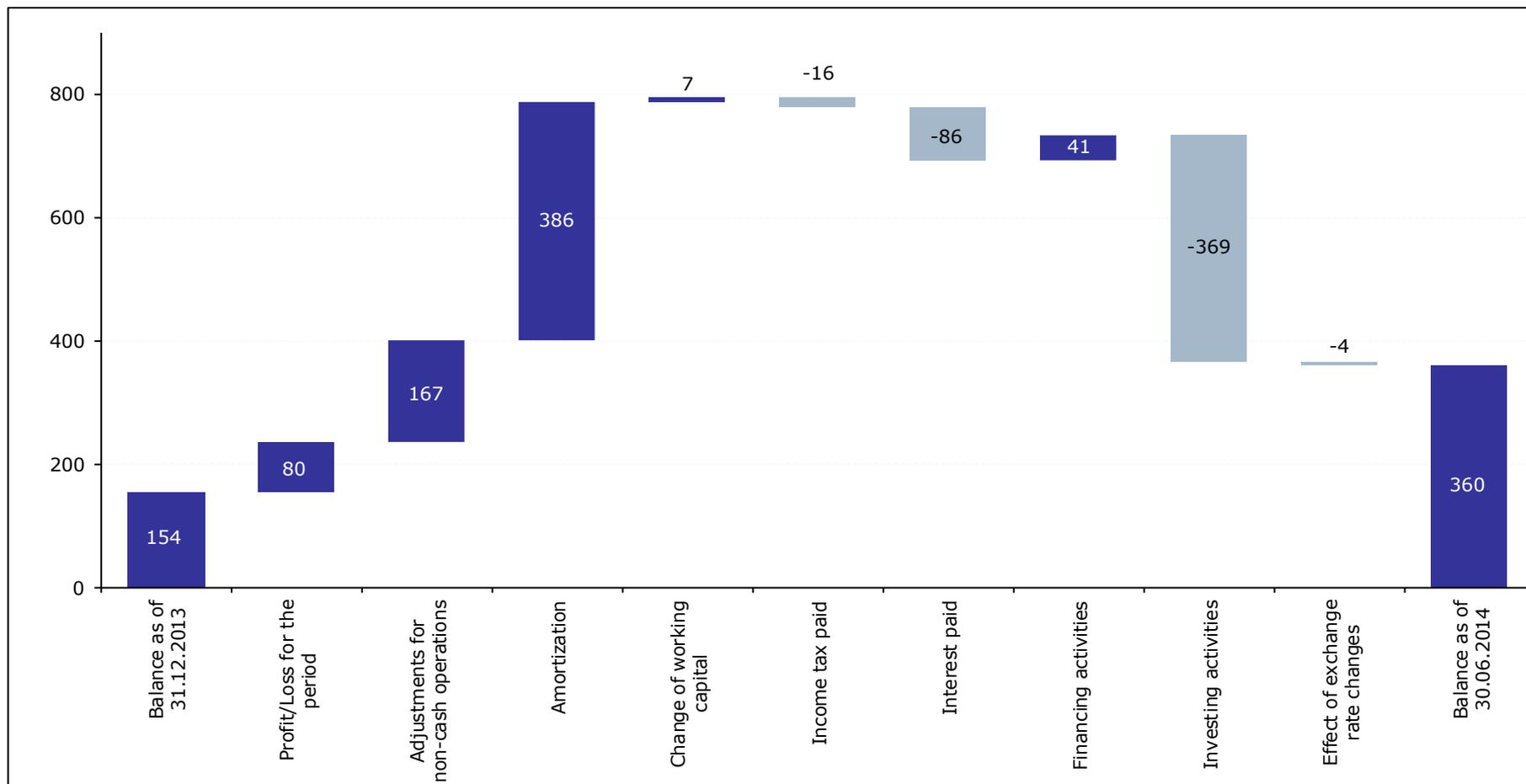
MMK Group 2014 CAPEX reduction, million USD



CASH FLOWS, MILLION USD



- Cash and cash equivalents reached USD 360 million due to Q2 2014 strong operating results.
- In H1 2014 the company invested USD 369 million, incl. USD 281 million in PPE and USD 129 million in short-term deposits



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